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**RED RIVER ASSOCIATION  
FOR RETARDED CITIZENS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-17-03

# YOUNGBLOOD & HODGES

A PROFESSIONAL ACCOUNTING CORPORATION

4700 LINE AVENUE

P. O. Box 5926

SHREVEPORT, LOUISIANA 71135-5926

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Red River Association for  
Retarded Citizens, Inc.  
Coushatta, Louisiana

We have audited the accompanying statement of financial position of the Red River Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Red River Association for Retarded Citizens, Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2003, on our consideration of the Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Red River Association for Retarded Citizens, Inc. taken as a whole. The accompanying schedule of state contracts is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
YOUNGBLOOD & HODGES

A Professional Accounting Corporation

November 6, 2003

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2003

ASSETS

<u>Current assets</u>	
Cash on hand and in bank, including \$18,434 bearing interest	\$ 18,772
Accounts receivable	14,389
Employee advance	485
Prepaid expenses	<u>3,020</u>
Total current assets	<u>36,666</u>
 <u>Property and equipment at cost</u>	
Furniture, fixtures and equipment	29,158
Automobile	<u>9,910</u>
Total property and equipment	39,068
Less: Accumulated depreciation	<u>31,785</u>
Net property and equipment	<u>7,283</u>
 Total Assets	 <u>\$ 43,949</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>	
Accounts payable	\$ 6,192
Payroll liabilities	1,767
Note payable – current portion	<u>13,254</u>
Total current liabilities	<u>21,213</u>
 <u>Long-term liabilities</u>	
Note payable – non-current portion	<u>10,705</u>
 Total liabilities	 <u>31,918</u>
 <u>Net assets</u>	
Net assets - Unrestricted	<u>12,031</u>
 Total liabilities and net assets	 <u>\$ 43,949</u>

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

Public support

Contributions	\$ 296
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Revenues

Cleaning revenue	24,501
Snack revenue	1,035
Cookie sales	10,184
Employment development service	7,843
Ironing revenue	14,271
Interest income	264
Miscellaneous sales	1,101
OCDD	228,555
Provencial Community Home	<u>13,777</u>
Total revenues	<u>301,531</u>
Total public support and revenues	<u>301,827</u>

Expenses

Accounting services	5,000
Auto expense & travel	10,530
Bank charges	84
Building maintenance	4,098
Building rent	17,400
Client payroll	37,399
COA transportation	468
Contract labor	7,015
Contributions	250
Depreciation expense	2,879
Dues and subscriptions	505
Food supplies	5,854
Insurance	7,231
Interest expense	2,604
Licenses and permits	52
Miscellaneous	929
Office expenses	2,714
Payroll expense	149,506
Penalties	462
Pest control	264
Postage & delivery	469
Snack expense	1,790
Supplies	12,577

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
STATEMENT OF ACTIVITIES  
(Continued)  
FOR THE YEAR ENDED JUNE 30, 2003

Expenses (Continued)

Telephone	1,175
Utilities	<u>3,982</u>
Total expenses	<u>275,237</u>

Increase (decrease) in net assets (unrestricted)	26,590
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Net assets (unrestricted) – June 30, 2002	(14,559)
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Net assets (unrestricted) – June 30, 2003	<u>\$ 12,031</u>
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See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003

Cash flows from operating activities

Increase (decrease) in net assets (unrestricted)	\$ 26,590
Adjustments to reconcile increase (decrease) in net assets (unrestricted) to net cash provided by operating activities:	
Depreciation	2,879
(Increase) decrease in accounts receivable	2,255
(Increase) decrease in employee advance	(485)
(Increase) decrease in prepaid expenses	(2,305)
Increase (decrease) in accounts payable	(1,563)
Increase (decrease) in accrued liabilities	897
Net cash provided (used) by operating activities	<u>28,268</u>

Cash flows from investing activities

Cash payments for the purchase of property	<u>(2,516)</u>
Net cash provided (used) by investing activities	<u>(2,516)</u>

Cash flows from financing activities

Principal payments on long-term debt	<u>(12,177)</u>
Net cash provided (used) by financing activities	<u>(12,177)</u>

Net increase (decrease) in cash and equivalents	13,575
Cash and equivalents, beginning of year	<u>5,197</u>
Cash and equivalents, end of year	<u>\$ 18,772</u>

Supplemental disclosures of cash flow information

Cash paid during the year for:	
Interest expense	<u>\$ 2,604</u>
Income Tax	<u>\$ 0</u>

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
 SCHEDULE OF STATE CONTRACTS  
 AWARDED BY THE STATE OF LOUISIANA  
 DEPARTMENT OF HEALTH AND HOSPITALS  
 OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2003

<u>Contract Number</u>	<u>Contract Term</u>	<u>Contract Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>Social Services</u>				
584290	07/01/02-06/30/03	\$228,555	\$228,555	\$228,555

This schedule of state contracts includes the Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities contract activity of Red River Association for Retarded Citizens, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with State requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

Red River Association for Retarded Citizens, Inc. (the Association) was incorporated in 1976 as a non-profit corporation under the laws of Louisiana. Among the purposes of the organization are promotion of the general welfare of the mentally retarded and development of programs in their behalf.

The Association sponsors a work program for its clients that operates under the name Red River Industries.

Depreciation and capitalization policy

The basis of valuation of depreciable assets is the asset's cost or fair market value at date of donation. Expenditures for assets in excess of \$500 are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Furniture and fixtures	10 years
Equipment	5 years
Automobiles	5 years

Provision for Income Taxes

No provision for income taxes is reflected in the statements as the Association files a tax-exempt return under IRS Section 501(c)(3).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash within ninety (90) days of purchase.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Association has not accrued compensated absences because the amount cannot be reasonably estimated.



RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JUNE 30, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

The Association receives its grant and contract support primarily from the State of Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities. Funding is provided under terms of a contract, which requires that the Association provide adult day services to developmentally disabled citizens.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Association with the terms of the grant/contract.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If during the year a contribution received is temporarily restricted and the requirements of the temporary restriction are met in the same year, thus releasing all of it from the restriction, it is the Association's policy to report the contribution income and the related expenses as unrestricted.

(2) LEASES

The Association leases the building that houses its operations from one of its employees on a month-to-month basis. The monthly rent is \$1,450, which is the amount for which the building was being leased prior to it being owned by the aforementioned employee. The Louisiana Board of Ethics issued a letter dated June 19, 1998, in which it ruled that this transaction is not in violation of the Code of Governmental Ethics.

(3) NOTE PAYABLE

The notes payable at June 30, 2003, consisted of the following:

Note payable to bank, secured by automobile and equipment, interest at 8.50%, due in monthly installments of \$1,232 including principal and interest, due March 7, 2005	\$ 23,959
Less: Current portion	<u>13,254</u>
Long-term portion	<u>\$ 10,705</u>

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JUNE 30, 2003

(3) NOTE PAYABLE (Continued)

Current maturities of this long-term debt are as follows:

<u>Year ended June 30:</u>	
2004	\$ 13,254
2005	10,705

(4) CONCENTRATIONS

Approximately 76% of the Association's total revenue comes from one source. Although not anticipated, the loss of this source of revenue could have an adverse effect upon the Association.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Red River Association for  
Retarded Citizens, Inc.  
Coushatta, Louisiana

We have audited the financial statements of the Red River Association for Retarded Citizens, Inc. (a nonprofit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 6, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Red River Association for Retarded Citizens, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

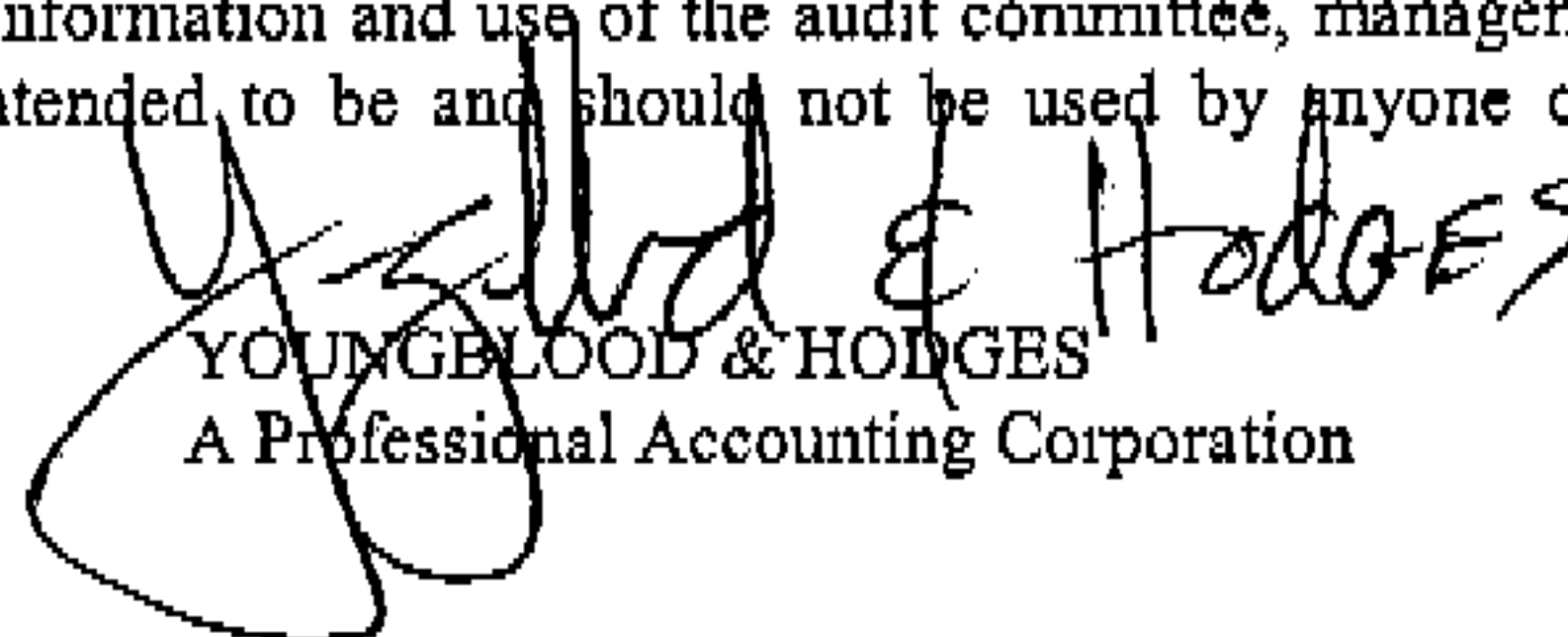
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Red River Association for Retarded Citizens, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Reportable Conditions and Material Weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control

that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be a material weakness as detailed in the accompanying Schedule of Reportable Conditions and Material Weaknesses.

This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

  
YOUNGBLOOD & HODGES  
A Professional Accounting Corporation

November 6, 2003

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
SCHEDULE OF REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES  
JUNE 30, 2003

We noted the following matter involving Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting and its operation that we consider to be a reportable condition:

- (1) Lack of segregation of accounting duties.

Effect

There are fewer checks and balances on accounting transactions that can lead to conditions such that misstatements in amounts that would be material in relation to the financial statements would occur and not be detected in a timely manner.

Cause

Due to the Association's small staff, segregation of most accounting functions is not possible.

Recommendation/Conclusion

The small size of the Association's staff limits the extent of segregation of duties. This is a constraint that will always be present in the Association.

We consider item (1) to be a material weakness.

This schedule is provided as supplemental information to the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*" dated November 6, 2003.

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2003

The following matter involving Red River Association for Retarded Citizens, Inc. relates to Prior Year Audit Findings:

- (1) Lack of segregation of duties.

Due to the Association's small staff, segregation of most accounting functions is not possible. This is a constraint that will always be present in the Association.

**RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.  
2303 EAST CARROLL STREET  
COUSHATTA, LOUISIANA 71019**

**November 6, 2003**

**The results of audit tests disclosed the following reportable condition:**

**(1) Lack of segregation of accounting duties.**

**Effect**

**There are fewer checks and balances on accounting transactions that can lead to conditions such that misstatements in amounts that would be material in relation to the financial statements would occur and not be detected in a timely manner.**

**Cause**

**Due to the Association's small staff, segregation of most accounting functions is not possible.**

**Management's Plan of Corrective Action**

**Management acknowledges that the small size of the Association's staff limits the extent of segregation of duties and that this is a constraint that will always be present in the Association. Management also acknowledges that this is a material weakness in the accounting control. Management has determined that the most effective way to deal with this constraint is to have oversight of the accounting functions by the Executive Director and, where necessary, oversight by the Board of Directors. Such involvement will provide checks and balances within the accounting functions of the Association.**

**Contact Person Responsible for Corrective Action:**

**Betty Sullivan  
Executive Director  
Red River Association for Retarded Citizens, Inc.  
2303 East Carroll Street  
Coushatta, Louisiana 71019  
(318) 932-6520**

**Anticipated Completion Date for Plan of Action:**

**The above plan of corrective action has been completed and is currently in effect and has been identified in the preceding report.**